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INDONESIA

*A Guide
for Canadian Exporters*



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INDONESIA

A Guide for Canadian Exporters

Office of Trade Development —
Asia and Pacific
External Affairs
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External Affairs
Canada

Affaires extérieures
Canada

1983

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I. THE COUNTRY

Located on the equator between Australia and Singapore, Indonesia covers approximately 2,000,000 km² (772,204 square miles) spanning 1,797 km (1,123 miles) from north to south and 5,080 km (3,175 miles) from east to west. The world's largest archipelago, Indonesia comprises 13,677 islands of which 6,000 are inhabited. The most important island is Java where the capital city, Jakarta, is located. Jakarta is also Indonesia's largest city with a population of 6.5 million. Other major cities, many of which are ports, include Bandung, Surabaya, Semarang, Medan, Ujung Pandang, Pekanbaru, Pontianak and Balikpapan.

More than 40 per cent of Indonesia's industrial activity is found in or near Jakarta. Another industrial zone is located near Surabaya, West Java. Primary industry, mining, and forestry activities generally are concentrated on the larger islands of Sumatra, Kalimantan, Sulawesi and Irian Jaya.

History and Government

The Republic of Indonesia was known as the Netherlands East Indies during the 300-year Dutch colonial period. Independence was unilaterally declared on August 17, 1945, two days after the Japanese surrender. In December 1949, the Netherlands Government unconditionally recognized the sovereignty of the new republic, with Soekarno as the President. In March 1967, the Provisional People's Consultative Congress elected General Soeharto as Acting President. General Soeharto's appointment was re-confirmed in a general election in 1972 and 1977.

The Indonesian constitution of 1945 provides for a presidential system with strong executive power. The country's highest policy-making body is the People's Consultative Assembly (MPR) comprising 920 members. The MPR meets for four sessions annually and also elects the president and vice-president for five-year terms.

The People

Indonesia is the fifth most populous country in the world with an estimated 147 million people. Approxima-

tely two-thirds of the population live on the island of Java. The people of Indonesia are predominantly of Malay origin. However, the people of Irian Jaya are Papuan, and in the eastern Indonesian islands the populace tends to represent both of these two dominant groups.

The Moslem religion is followed by 90 per cent of the population; there are also Christian, Hindu and Buddhist communities.

The official language of Indonesia is Bahasa Indonesia. Although it is now spoken widely, there are still many outlying areas where regional languages are spoken. The use of English is common among government and business officials.

Adult literacy is estimated at 60 per cent; 19 per cent of the population is elementary school graduates; 2 per cent is high school graduates; and less than 0.5 per cent is graduates of universities or advanced secondary institutions.

Local Customs

While visiting Indonesia, it is well to remember that this is a predominantly Moslem country where alcohol is not essential in social situations. It is polite not to start to consume proffered drink or food until invited by the host to do so. A certain modesty of approach is generally well regarded. Only the right hand should be used for giving and receiving, and crooking one's finger to call someone is considered impolite.

Telephoning Muslims between 6:45 and 7:15 p.m. should be avoided since this is the time for evening prayers. It is also advisable to avoid calling on Friday noon, a time when many Muslims are at prayers. During Puasa (Ramadan), the fasting month, Muslims will not eat, drink or smoke from sunrise to sunset. As a general rule, therefore, food, drink or cigarettes should not be offered to Muslims during those hours.

General Information

Climate — The climate of Indonesia is tropical with temperatures varying from 21°C (69.8°F) to 33°C (91.4°F). The seasons are defined by two monsoon periods: the dry, which prevails from May to September, and the wet, which lasts from October to April. Humid-

ity in Indonesia is consistently high, particularly in the wet season. Average annual rainfall varies from 500 cm (197 inches) in Java to 100 cm (39 inches) in the lesser Sunda islands.

Holidays — The following is a list of official public holidays in Indonesia. In 1982 they fall on the following dates. This list should serve only as a guide and Canadians are advised to confirm dates of business visits with the Indonesian Embassy in Ottawa or the Canadian Embassy in Jakarta. The weeks of Muharram (Rama-dam) are not suitable for business visits.

New Year's Day — *January 1*

Mohamad's Birthday — **December 28*

Good Friday — **April 9*

Ascension Day — **May 20*

Mohammad's Ascension — **May 21*

Idul Fitri — **July 22-23*

Independence Day — *August 17*

Idul Adha — **September 28*

Muharram — **October 18*

Christmas Day — *December 25*

**date varies each year*

Electricity — The state-owned Perusahaan Listrik Negara (PLN) is responsible for the generation, transmission and distribution of electrical energy. For industrial use, single or three phase 110/115 or 220/380 volt, 50 cycle AC is supplied. Residences usually have 110 to 130/220 volt, 50 cycle AC. Two prong, European type plugs are normally used.

Measures — Indonesia uses the metric system.

Post, Telex, Telephone — Air mail from Canada usually takes 10 to 14 days. Internal mail between main cities is quick by the express service (posKILAT). Telegram and telex facilities are available 24 hours a day and are generally good. An international telephone service out of Jakarta is also available 24 hours a day; however, telephone calls to North America may take one-half to one hour to complete.

Business Practices

There are three time zones within Indonesia: Western Indonesia Standard Time (including Jakarta) is 12 hours

ahead of Eastern Standard Time (EST), Central Indonesia Standard Time is 13 hours ahead of EST, and East Indonesian Standard Time is 14 hours ahead of EST.

Business Hours — Commercial and business offices are open from 8:00 a.m. to 4:00 p.m. Monday through Friday and 8:00 a.m. to 1:00 p.m. on Saturday. Government offices are open from 8:00 a.m. to 3:00 p.m. Monday through Thursday, 8:00 a.m. to 11:30 a.m. Friday and 8:00 a.m. to 12:00 p.m. on Saturday. The Canadian Embassy is open 8:00 a.m. to 4:45 p.m. Monday through Thursday, and 8:00 a.m. to 1:30 p.m. Friday.

II. ECONOMIC INFORMATION

Indonesia's Third Five-Year Development Plan (Repelita III) for fiscal years 1979-84 was adopted by the Indonesian Parliament in January 1979. The primary developmental objectives of this plan are:

- increased employment; including the promotion of labour-intensive investment
- continuation of import-substitution as a means of increasing self-sufficiency
- encouraging consumer goods manufacturing and discouraging the production or import of luxury goods
- further development of the export base
- encouraging industries which process raw materials into semi-finished or finished products
- placing priority on the production of goods for the agricultural sector
- promoting agro-based industries

Repelita III represents a shift in priorities toward labour-intensive manufacturing and agriculture. However, efforts will continue in developing the mining sector and the petroleum industry will remain central to economic growth. The industrial sector is expected to increase by 11 per cent annually over the period of the development plan. In other important sectors, the expected annual rates of growth are: communications and transport 10 per cent; mining 4 per cent; agriculture 3.5 per cent.

The economic development plan Repelita III provides many export and investment opportunities for Canadian businesses. During the five years from 1979 to 1984, a total expenditure of Rp 21,849 billion is envisaged. The following is a summary of sector expenditures in Repelita III:

EXPENDITURE ON DEVELOPMENT BY SECTOR IN REPELITA III

	Value (Rp Bn)	Per cent of Total
Development expenditure	21,849	100.0
of which:		
communications and tourism	3,384	15.5
agriculture and irrigation	3,049	14.0
mining and energy	2,944	13.5
education	2,277	10.4
regional development	2,143	9.8
defence and security	1,484	6.8
manpower and transmigration	1,384	5.7
industry	1,174	5.4
health	829	3.8
housing	532	2.4

Source: Repelita III

Since 1980, more than 30 projects have been proposed in the transport and communications sector and will require plant equipment, materials and consultancy services. The agricultural sector has been given priority in the development plan and will provide good prospects for sales of agricultural machinery, fertilizers, pesticides, as well as irrigation technology related to the processing of agricultural products.

The mining and energy sector will continue to provide markets for surveying and extraction equipment as well as capital intensive technology. Finally, infrastructural development, health care and education programs will require imported goods and services.

III. BUSINESS INFORMATION

Sources of Financing

Foreign aid creates trade opportunities in Indonesia for Canadian businesses not only through Canadian aid programs but through projects financed by multilateral lending institutions such as the World Bank Group and the Asian Development Bank, as well as bilateral donors for which procurement is not tied to the donor nation. Development projects provide for the supply of goods and services through both competitive bidding and sub-contracting to prime contractors. Procurement systems for projects financed by international lending agencies follow "international competitive bidding" procedures. Information on the status of projects is published by the information offices of the World Bank Group and the Asian Development Bank. Project information can also be obtained from the South East Asia Division, Office of Trade Development — Asia and Pacific, of the Department of External Affairs in Ottawa or the Commercial Division of the Canadian Embassy in Jakarta, Indonesia.

To further Canadian export development objectives, two federal trade promotional programs are available, namely:

- 1) the Promotional Projects Program (PPP) through which the Department of External Affairs plans and implements promotional projects abroad; and
- 2) the Program for Export Market Development (PEMD) through which repayable loans are made to individual companies to cover costs in developing export business which might otherwise not be undertaken.

Through the PPP, Canadian trade fairs abroad, trade missions and trade visits are initiated, organized and implemented by the department. The range of these activities includes participation in international trade fairs, solo shows and instore promotions; the organizing of technical seminars and trade missions abroad; and the sponsoring of foreign visits to Canada to stimulate the sale of Canadian products in various export markets.

In contrast to the PPP projects, proposals under PEMD are made by Canadian industry rather than government. PEMD is made up of several sections each of which is designed to support a particular phase of market development including project proposal preparation, market identification, participation in trade fairs and sponsoring of incoming buyers. In all sections of the program, companies are encouraged to develop self-sustaining export markets for their products. For details see the PEMD brochure.

For further information regarding both the PPP and PEMD programs, please contact the South East Asia Division, Office of Trade Development — Asia and Pacific, of the Department of External Affairs.

The Canadian International Development Agency (CIDA), under its Industrial Co-operation Program (ICP) provides direct support for Canadian companies to investigate industrial co-operation opportunities in developing countries. The program funds proposals by Canadian investors for projects such as joint ventures, licensing agreements, management contracts or other commercial undertakings. For more information contact:

Director General
Industrial Co-operation Division
Canadian International Development Agency
200, promenade du Portage
Hull (Québec)
K1A 0G4

Tel: (819) 997-7901

Of importance to Canadian businessmen is the Export Development Corporation (EDC) whose purpose is to encourage, facilitate and develop Canadian export trade by providing credit insurance, guarantees, loans and other financial assistance to enable exporters to meet international competition. For further information on EDC services contact:

Export Development Corporation
Head Office
110 O'Connor Street
P.O. Box 655
Ottawa, Ontario
K1P 5T9

Tel: (613) 237-2570

Marketing Information

Representation

Foreign firms in Indonesia are not permitted to engage in the importing, exporting, distribution or marketing of goods or services. Canadian businessmen wishing to sell their products in Indonesia must appoint a government-approved Indonesian distributor and/or an importer. However, a foreign company may establish a local representative office to assist the Indonesian firm directly responsible for importing, sales, distribution and service, but may not actually conduct business independently. Alternatively, the Indonesian firm may apply for permission to hire a foreign national directly as a technical adviser.

Although a few organizations have agents in Singapore and in other centres outside Indonesia, it is difficult to secure sustained business without representation in Indonesia. The services of an aggressive and active agent in Indonesia have always been the most effective means of expanding sales in the market. Moreover, the major islands of Indonesia constitute distinct marketing areas. Each of these areas has distinct ethnic and socio-cultural differences with varying degrees of economic development. Limited transportation facilities and distribution networks make representation in several centres important in ensuring nation-wide coverage.

Apart from appropriate geographic representation, the key to success in the Indonesian market is ensuring that the chosen agent is both knowledgeable of your industry/product/project and familiar with business practices prevailing in that particular sector. One must often rely on the agent to arrange appointments with appropriate government officials and corporate officers as well as clear necessary documents through bureaucratic channels. In recent years, to spur the development of indigenous business, the government began requiring certain government agencies to deal through Indonesian agents when purchasing imported goods and services. Although the implications of this recent government practice remain unclear, Canadian businesses dealing with government agencies in Indonesia should strongly consider appointing an Indonesia firm as their agent.

The Commercial Division of the Canadian Embassy in Jakarta can advise Canadian firms on suitable agents in

Indonesia. Interested businessmen should write to the Commercial Division and enclose six sets of company brochures. The Canadian company should then contact the recommended Indonesian firms directly and, as soon as serious correspondence takes place, plan a business visit to Indonesia.

After visiting Indonesia, the Canadian businessman will be in a better position to select an agent. Letters of understanding in which the agent is appointed can then be exchanged. Any such appointments may be for a trial period of a year, the appointment to be confirmed at the end of the allotted time only if performance is satisfactory. Advertising and the number of visits to potential clients are matters to be specified in such appointments. It is also important to support one's agent by visiting Indonesia at least twice a year or by bringing the agent to Canada to visit the home office.

Canadian companies seeking reports on the credit rating and stability of local firms being considered as agents should contact the Commercial Division of the Canadian Embassy. As no credit inspection bureau exists in Indonesia, the required information may take several weeks to compile. Whenever possible, this investigation will be undertaken by the Commercial Division. If, however, it is necessary to engage an outside firm to do a credit investigation, the costs involved will be billed back to the Canadian company.

Finally, it should be kept in mind that good positive initial contacts, the establishment of legitimacy and patience are important factors in business development. Business methods in Indonesia, while different from those in Canada, require a commitment to a long-term effort.

Indonesian Import Regulations

Import licences are not required for goods entering Indonesia, however the importation of certain items is prohibited. Banned imports include completely assembled automobiles and motorcycles into Sumatra and Java, completely assembled and semi-assembled television and radio receivers, electric light bulbs and fluorescent lamps, matches, iron sheets, certain types of textiles, batteries, motor vehicle tires and glass bottles. Some foodstuffs such as rice, wheat and sugar may be imported by approved importers only; import permits must be obtained for 16 mm and 35 mm film; cosmetics, drugs; food must be registered; and products such

as agricultural chemicals must be tested or registered by relevant agencies before import is allowed. The armed forces have sole authority to import arms and ammunition.

Documentation — Only government-approved Indonesian importers may import into the country. Government regulations require that the importer submit an invoice from the supplier giving a full description of the goods as well as both the f.o.b. and c.i.f. prices. All private sector imports must be supported by a banker's letter of credit, the value of which is calculated according to the c.i.f. value of the shipment. The letter of credit must be in acceptable currency and can be opened through a foreign exchange bank. Merchant's letter of credit was prohibited in May 1977.

Private sector imports require two copies of the commercial invoice, insurance certificate, bill of lading and, if specified, certificates of origin or sanitary approval.

Labelling — Goods should be packed so as to withstand port handling, pilferage and prolonged exposure to heat and humidity due to delays in port clearance. Reference to the letter of credit must appear on all outer packing when the goods are shipped. In addition, there are marking and packaging requirements for certain goods including foodstuffs, construction materials, domestic electrical appliances and textiles.

Samples — Samples of no commercial value are not dutiable; those of value can enter duty free, temporarily, and at the discretion of the authorities, against a bank guarantee. Films for commercial purposes are subject to customs approval, and this can be a lengthy procedure. Customs clearance of parcels may take two weeks. Where greater urgency is involved (e.g., bid documents) Canadian firms may wish to make special arrangements through the Canadian Embassy in Jakarta or with the South East Asia Division, Office of Trade Development — Asia and Pacific, Department of External Affairs.

Tariff — The Indonesian tariff is based on the Brussels Tariff Nomenclature. For tariff classification purposes, imports are grouped into four categories:

- 1) most essential goods attracting tariffs of 20 to 40 per cent;
- 2) essential goods attracting tariffs of 20 to 40 per cent;
- 3) less-essential goods attracting tariffs of 50 to

70 per cent; and 4) luxury items attracting tariffs of 70 to 100 per cent. In addition, there is an import sales tax which ranges from 0 to 20 per cent. However, where goods are destined for inclusion in capital investment projects or other government-related public works, these duties and taxes may be waived. Canadian firms are, in any case, advised where possible to bid exclusive of customs duties and other internal charges.

Exchange Controls

All Western and Asian currencies are freely convertible in Indonesia. Foreign investors generally may freely transfer funds to or from abroad. However, some conditions are attached to the transfer of funds relative to investment capital. These regulations will be dealt with in the "Investment" portion of this brochure.

Shipping Services from Canada to Indonesia

From Western Canadian Ports — American President Lines schedules one or two sailings per month from Vancouver to Jakarta. Space accommodation for general cargo, refrigerated cargo, ventilated cargo, bulk liquids and container cargo is available. The line is represented in Canada by American President Lines Canada Ltd. in Vancouver, Toronto, and Montreal.

East Asiatic Company schedules two sailings a month from Vancouver to Jakarta. Space accommodation for general cargo, refrigerated cargo, ventilated cargo and container cargo is available. The line is represented in Canada by Johnson, Walton Steamships Limited in Vancouver and Robert Reford Inc. in Toronto and Montreal.

From Eastern Canadian Ports — Barber Blue Sea Line schedules three sailings a month from Saint John to Jakarta, Belawan and Surabaya. Space accommodation for general cargo, refrigerated cargo, bulk liquids and container cargo is available. The line is represented in Canada by Barber Steamships Lines (Canada) Inc. in Montreal and Toronto and R.C. Elkin Limited in Saint John.

P.T. Djakarta Lloyd schedules monthly sailings from Toronto and Montreal in the summer and from Saint John in the winter to Belawan, Jakarta, Semarang, and Surabaya. Space accommodation for general cargo and container cargo is available. The line is represented in

Canada by R.G. Redburn Eastern Ltd. in Montreal and Toronto.

Federal Commerce and Navigation Ltd. schedules monthly sailings from Sault Ste. Marie and Quebec during the summer and Montreal during the winter to Jakarta. Space accommodation for general cargo and container cargo is available. The line is represented in Canada by Federal Commerce and Navigation Limited in Montreal and R.G. Redburn Ltd. in Toronto.

Indonesian Transportation, Communication and Infrastructure

Inadequate infrastructure poses very serious problems for Indonesia making transportation of raw materials and consumer goods erratic and expensive. Shipping services linking the islands are the primary transportation system. Roads and railroads provide a secondary system linking the interiors of islands to their ports. The recent expansion of economic activities in these outlying areas has resulted in priorities being placed on the development of the transportation sector, in particular the inter-island fleet, port improvement and improvement of the road and rail system.

Railroad facilities, mostly narrow gauge, single track, exist only in Java and Sumatra islands. Their potential is limited by the short haul, low-volume nature of available traffic, and they are vulnerable to competition from recently improved road transportation. While airfreight transport represents approximately one per cent of total passenger traffic, it will increase in importance as an efficient means of linking the islands and opening up inaccessible interiors of some large islands. The Garuda Indonesian Airways (GIA), the national air carrier, serves the domestic trunk lines as well as international routes; the smaller airlines operate on the feeder lines. Many private air charter services are also available. Nevertheless, further upgrading of the runways, telecommunications systems, navigational aids, landing equipment, meteorological services and the training of pilots are still needed.

Indonesia's communication services are wholly operated and directed by the government. Telephone and telegraph networks are operated by the state-owned enterprise PERUMTEL; postal and mail clearance are controlled by P.M.POS and GIRO; and T.V.-R.I. controls the television networks. Indonesia includes a domestic

communications satellite system (1976) in its telecommunications system. Although much improvement has been evident in the range of telecommunications services over the past few years, efficiency remains below North American standards.

It is estimated that six per cent of the Indonesian population is provided with electricity. The degree of electrification varies by regions with Java having the highest where about 10 per cent of the households are connected. In 1978, 55 per cent of total power sales was to industrial and commercial users with the remainder being directed towards residential users. Use of electricity is generally limited to urban and a few rural areas.

Tendering on Projects

Procurement by government agencies may be financed through Indonesian government funds or through funds made available by donor governments or international agencies. Procurement procedures, therefore, vary with the government department, lending country (including Canada) or international agency.

In Indonesia, BAPPENAS (The National Development Planning Agency) prepares annually a document which is a catalogue of descriptions of those projects to which the government has assigned priority, and which require bilateral or multilateral foreign aid assistance. Entitled "List of Project Proposals" and informally called "The Blue Book", this list is presented at meetings of the IGGI (Intergovernmental Group on Indonesia) where individual nations and multilateral lending institutions indicate sponsorship of specific projects. The blue book is a key starting point for any firm interested in public sector projects. The Trade Commissioner at the Canadian Embassy in Jakarta and the South East Asia Division of the Department of External Affairs in Ottawa retain copies of the blue book for reference purposes.

The Indonesian Government has no central purchasing agency. Rather, each department or project is given the responsibility for its own buying once it has received its budget from the Finance Minister. The majority of overseas goods are procured through public tender. Bids in response to tenders are evaluated on the basis of price, quality, experience and level of technology, as well as on considerations such as after-sales service, Indonesian representation and local content. Experien-

ced Canadian firms have found it advantageous to team up with an Indonesian engineering/consulting company.

Loans from the international financial institutions have been responsive to the Indonesian government's development priorities covering almost all major sectors in the economy. The United Nations publishes a newspaper entitled "Development Forum" in which multilaterally funded projects in various countries are listed. In Indonesia, tender announcements are published in leading news media. The Commercial Secretary at the Canadian Embassy in Jakarta will also be able to provide Canadian firms with further information.

Successful project bidding requires close contact with those Indonesian government departments and international agencies responsible for project planning and implementation. Canadian firms should choose an Indonesian representative or associate in advance of a tender call, and preferably during the gestation process of the project, to allow involvement at the earliest possible stage. Experienced Canadian firms have suggested that consultants complete some other project(s) abroad before bidding in Indonesia. Finally, only those firms that are willing to invest a significant amount of time in the Indonesian market are advised to seek project work.

Labour

There is little union activity in Indonesia and wage rates are relatively low. Minimum wages have, however, been recommended by the government. In addition, there are laws governing overtime, holidays and termination of employment, and a new social insurance pension plan is being implemented. Expatriate personnel require a working permit and are permitted only in positions which cannot be filled by Indonesian nationals.

Advertising and Research

Much of Indonesia's purchasing power is concentrated in the Jakarta and West Java markets. Consequently, exporters of consumer goods should direct their advertising towards these areas. Advertisements may be placed in any of Jakarta's seven newspapers, two of which are published in English. Television and radio advertising is also available. A number of magazines and specialized publications provide exposure to a varied readership. Additional media such as direct mail advertising, cinema slides and posters should be ar-

ranged through a local advertising agent. Finally, personalized sales calls reinforced by concerted technical support have been identified as an effective route to sales success.

Government regulations dictate that all material to be distributed in the Indonesian language must be prepared in Indonesia. Facilities for the effective and accurate translation of promotional material and labels may be recommended by the Canadian Embassy. In addition, exporters should consult the Canadian Embassy's Commercial Division to determine the suitability of their promotional method.

Member-firms of the Association of Indonesian Consultants may be engaged to perform research and consulting activities. Market research in Indonesia is difficult, however, because detailed statistics on production, consumption and imports are not readily available in published sources.

Business Dispute Procedures

Canadian firms are advised to thoroughly investigate the financial status of prospective customers before concluding credit transactions. There is no debt collection agency in Indonesia and legal processes tend to be time-consuming and ineffective.

Banking and Local Finance

The Banking system is controlled by the central bank, the Bank of Indonesia. Full banking services are available in Jakarta from state-owned commercial banks and numerous national private banks, primarily from the United States, Europe and Japan. Three major Canadian banks — the Bank of Montreal, the Bank of Nova Scotia and the Toronto Dominion Bank — have representative offices in Jakarta at these addresses:

Bank of Montreal
15th Floor
Wisma Kosgoro
Jalan M.H. Thamrin
Jakarta, Indonesia

Bank of Nova Scotia
14th Floor
Wisma Nusamtara Building
Jalan M.H. Thamrin 59
Jakarta, Indonesia

Toronto-Dominion Bank
Level 3
Jalan Jendral
Sudirman, Kav 29
Jakarta, Selatan, Indonesia

Property Protection

Indonesia is a party to the International Convention for the Protection of Industrial Property. Manufacturers and exporters are advised to consult a patent or trademark agent in Indonesia. The first user of a trademark may register it for a period of 10 years on the condition that the trademark is used within a six month period from the date of registration. The existing patent law gives weak protection. However, in anticipation of a new patent law currently in preparation, provisional patent applications are accepted at the following address:

Director of Patents
Department of Justice
Jl. Veteran III No. 8A
Jakarta

Investment

Indonesian Legislation for Foreign Investment

The Indonesian Government welcomes foreign investment in those sectors of the economy requiring inputs of capital and technology which are not locally available. Foreign investment legislation provides various assurances to Canadian businesses considering investment in Indonesia. These assurances include the right to transfer loan obligations, profits, depreciation and capital as well as assurances against nationalization. In addition, the government grants tax and further incentives in certain cases.

Foreign investment incentives such as import-duty exemptions and tax holidays are offered by the government in priority sectors. Four degrees of priority have been assigned to investment fields ranging from sectors of highest priority, in which tax incentives are granted, to sectors which are closed to foreign investment. In the latter case, it is still possible to negotiate technical co-operation agreements with domestic investment companies.

The Indonesian Government, in an attempt to bring more indigenous Indonesian (pribumi) ownership and participation into the country's businesses, requires foreign investment to be in the form of a joint venture. Except in special circumstances, the initial equity participation of the Indonesian partner is expected to be at least 20 per cent, eventually leading to majority ownership by the pribumi partner within 10 years.

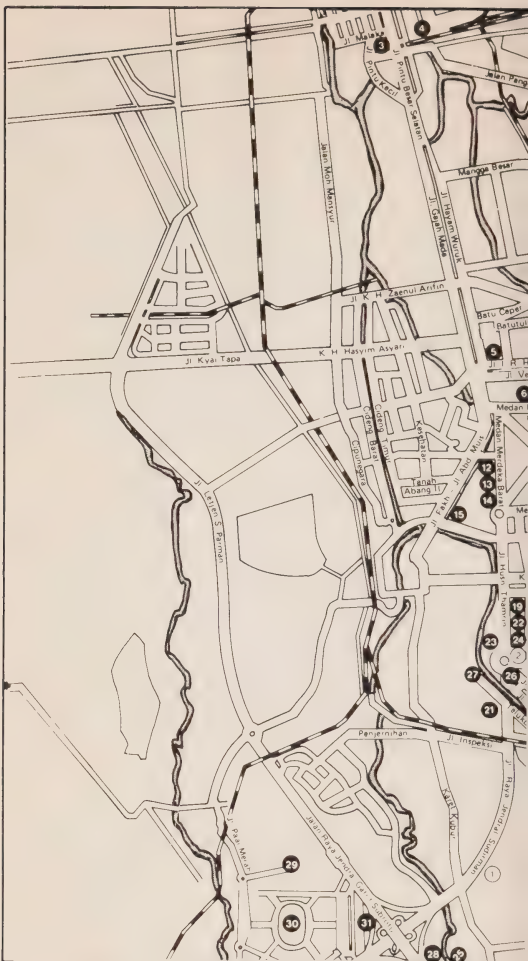
The Capital Investment Co-ordinating Board (BKPM) is the government agency responsible for all foreign investment applications with the exception of those concerned with the mining, forestry, banking, insurance and petroleum sectors which are handled by the appropriate government departments. Application procedures tend to be complex and lengthy. It is suggested that professional advice be sought before any formal action is undertaken.

Forms of Business Organization

The Foreign Investment Law provides that all foreign businesses operating in Indonesia must be incorporated and domiciled there. There are six legal forms of business organization in Indonesia; of particular interest to the Canadian investor is the limited liability company or Perseroan Terbatas (PT). As outlined above, the amount of Indonesian participation in joint venture business organizations is controlled by the government. In order to organize a PT, the services of an Indonesian Notary Public will be required.

Taxation

Canadian investors are advised to seek professional guidance on Indonesian taxation practices. Corporate taxation is based upon the size of a company's profits upon which tax may be charged at rates of 20, 35 and 45 per cent. In addition, a withholding tax of 20 per cent is levied on payments of interest, dividends or royalties. Those companies involved in World Bank or foreign aid projects are granted tax free status. With respect to corporate and individual income tax, a double taxation agreement is in force between Canada and Indonesia.



① Canadian Embassy and
Toronto Dominion Bank

② Bank of Nova Scotia

③ Bank Indonesia

④ Kota Railway Station

⑤ Department of Justice

⑥ President's Palace

⑦ Department of the Interior

⑧ Istiglal Mosque

⑨ Department of Finance

⑩ Department of Foreign Affairs

⑪ Monas National Monument

⑫ Central Museum

⑬ Department of Defense and
Security

⑭ States' Secretary

⑮ Department of Commerce
and Trade

⑯ Hotel Borobudur
Inter - Continental



- | | | | |
|----|-------------------------------------|----|------------------------------------|
| 17 | Art/Cultural Centre and Planetarium | 24 | President Hotel |
| 18 | Governments' Central Hospital | 25 | Kartika Chandra Hotel |
| 19 | Bank of Montreal | 26 | Mandarin Hotel |
| 20 | Hotel Hyatt Aryaduta Jakarta | 27 | Hotel Indonesia Sheraton |
| 21 | Hotel Kartika Plaza | 28 | Central Police Station |
| 22 | Sari Pacific Hotel | 29 | Parliament |
| 23 | Sahid Jaya Hotel | 30 | Sports Stadium |
| | | 31 | Hotel Jakarta Hilton International |

Indonesian Export Regulations

All commodities must be exported by registered private firms and by state trading firms. Generally, only Indonesian nationals may obtain export licences but foreign firms engaged in export-oriented production may apply for special licences from the Department of Trade.

At present the export of gold, silver, copper and bronze scrap iron and antiques is prohibited. In addition, certain domestically produced commodities are controlled by means of quotas and still other commodities require prior authorization. All exports to Angola, the People's Republic of China, Israel and South Africa are prohibited.

Exporters are required to surrender the export proceeds, to the full amount of the f.o.b. value of the goods, to the Bank of Indonesia. Excepted from this regulation are petroleum companies, certain mining companies and state trading companies. Any applicable taxes, such as export tax, are deducted from the reimbursement that the exporter receives from the bank once the goods have been shipped.

IV. YOUR BUSINESS VISIT TO INDONESIA

Services of the Canadian Embassy

The Commercial Division of the Canadian Embassy in Jakarta functions as a liaison office between Canadian firms and local businesses and industry. Offering a fairly comprehensive scope of services, the Trade Commissioner seeks business opportunities for interested and capable Canadian firms. Market surveys of reasonable proportions are conducted on behalf of Canadian exporters. The Trade Commissioner may also assist the marketing effort by providing recommendations and advice on matters relating to the selection of agents, advertising modes and preferences, as well as translation facilities. Given advance notice, appointments with appropriate contacts and the receipt of mail may be arranged through the Commercial Division. Finally, the Trade Commissioner may assist those Canadians established in the market with advice on matters such as trade disputes and legal problems.

The Trade Commissioner should be advised of one's intention to visit Indonesia well in advance of arrival. The extent to which the firm can be assisted by the trade office will depend upon the information provided concerning the company itself, the purpose of the visit, and contacts previously established in the Indonesian business community. If the product or service is specialized or highly technical, information on its use, the type of presentation it would require and its competition in the market helps to avoid unnecessary research as well as unsuitable appointments and, subsequently, a waste of the Canadian businessman's time. Finally, Canadian firms should maintain an ongoing contact keeping the Trade Commissioner informed of subsequent activities and future plans.

Business Calls

The best introduction to Indonesia and its business opportunities is by personal visit. Local businessmen usually prefer to meet and deal with their prospective clients personally. Upon arrival, the Canadian businessman faces a double challenge — convincing local con-

tacts of his firm's competitiveness in the market and overcoming any misconceptions that may exist regarding Canadian capabilities on the whole. The establishment of legitimacy and a long-term commitment is of primary importance to a successful business strategy.

Business methods and customs in Indonesia differ from those in Canada. Communication problems, heavy traffic during business hours, difficulties associated with arranging appointments, and a generally slower paced approach to business make doing business in Indonesia a time-consuming process requiring a commitment to long-term efforts. Considerable flexibility should be allowed in meeting deadlines and often one may have to extend the visit.

The pursuit of personal contacts within the Indonesian business community plays an important role in business strategy. Often customs may require that no business be discussed at the first meeting. Rather, the Canadian businessman should be prepared to meet each contact over a period of a few days with the initial meetings serving as get-acquainted sessions. Entertainment is often central to this process of business development. It is customary for the Canadian businessman to be entertained by local contacts, and it should be noted that reciprocal invitations are much appreciated.

In Indonesia, appointments should be kept punctually, bearing in mind that traffic in Jakarta, and other major cities, is often congested. In order to avoid high temperatures and humidity during the day, appointments should be made in the early afternoon. Businessmen should have an adequate supply of business cards at all times. Finally, in the event of an equipment demonstration, it should be ensured that the system functions properly in the given environment; any shortcomings will result in a loss of confidence in the product as well as the firm.

What to Bring

Seasoned business travellers bring a number of useful business supplies. Among those recommended are:

1. sales literature, and where applicable, samples
2. company stationery (for correspondence and thank-you notes)
3. business cards
4. extra passport photos (for visas, etc.)

5. small give-aways with the company's name printed on them (Once personal contact has been established through an initial visit to Indonesia, the presentation of a gift is customarily welcomed upon one's subsequent visit.)

The Canadian businessman who does not want to carry business cards and promotional material with him in his luggage can arrange to have them forwarded to the Canadian Embassy in Jakarta by air freight. Delivery should be scheduled approximately three weeks prior to his arrival in Indonesia.

Follow-up

Appropriate follow-up can be crucial to the success of a business visit. Thank-you notes as well as samples, brochures and requested information should be quickly dispatched after return to Canada. Regular correspondence with contacts and representatives established while in Indonesia, as well as with the Commercial Division of the Canadian Embassy, will serve to promote legitimacy and business development.

Travelling to Indonesia

A valid passport and an Indonesian visa are required before entering Indonesia. Further details can be obtained from the Embassy of the Republic of Indonesia, 287 MacLaren Street, Ottawa, Ontario K2P 0L9 or the Indonesian Consulate General in Vancouver.

An international certificate of vaccination against cholera is required at the port of entry. Inoculations against tetanus, polio, typhoid and paratyphoid are strongly recommended as are malaria pills and a gamma globulin vaccination. Medication for stomach and intestinal ailments may well be included in a travelling kit. Visitors are advised to contact the Department of Health and Welfare in Ottawa or one of the regional offices for up-to-date information on required vaccinations.

The rupiah (Rp) is the unit of currency, exchanging in mid-1982 at a rate of 525 Rps to the Canadian dollar. There is no restriction on the import or export of foreign currency and travellers' cheques. The import of local currency, however, is prohibited and no more than Rps 2,500 can be exported.

Visitors' personal effects are exempt from duty as are the following quantities of tobacco and liquor: 200 ciga-

rettes, 50 cigars, 100 grams of tobacco and two litres of alcoholic beverages. Photographic equipment, typewriters and radios are admitted upon declaration and provided they are taken out on departure. Arms and ammunition, pornography and advertising material printed in Bahasa Indonesia are prohibited. Films for public viewing (including trade promotion films) are subject to censorship, which can take up to one month. Businessmen may wish to consult with the Canadian Embassy in Jakarta about this procedure.

There are a number of air-conditioned hotels in Jakarta. It is advisable to reserve accommodation in advance. All hotel rates are subject to a 21 per cent tax and service charge. Room tariffs are quoted in United States dollars. Hotel prices are subject to change and confirmation should be sought at the time of booking.

***** First Class International
**** Good International
*** Satisfactory Local

Hotel Borobudur Inter-Continental *****
Jalan Lapangan Banteng Selatan
Singles \$70 to 84, doubles \$91 to 96, suites from \$169
Tel: 370108; telex: 44156 BDO JKT

Hyatt Aryaduta Jakarta *****
Jalan Prapatan 44-46
P.O. Box 3287
Singles from \$42, doubles from \$48
Tel: 376008; telex: 46220 HYATT JKT

Hotel Indonesia Sheraton *****
Jalan M.H. Thamrin
P.O. Box 54
Singles from \$48, doubles from \$55, suites from \$140
Tel: 322008; telex: 46437 HI JKT

Hotel Sari Pacific *****
Jalan M.H. Thamrin
P.O. Box 3138
Singles \$70, doubles \$77
Tel: 323707; telex: 44514 HTLSAR IA

Jakarta Hilton International *****
Jalan Jenderal Gatot Subroto
Singles \$67, doubles \$77
Tel: 583051/587981; telex: 46673, 46698 HILTOM IA

Kartika Chandra ****
Jalan Jenderal Gatot Subroto
P.O. Box 85 KBY
Singles \$48, doubles \$52
Tel: 511008

Kartika Plaza ***
10 Jalan M.H. Thamrin
Singles \$35, doubles \$40, suites \$70
Tel: 321008; telex: 45792 BOLKAR

Mandarin Hotel *****
Jalan M.H. Thamrin
Singles \$77, doubles \$86
Tel: 321307, telex: 45755 MANDA JKT

President Hotel ****
Jalan M.H. Thamrin 59
Singles \$43 and up, doubles \$50 and up, suites \$150
and up
Tel: 320508; telex: 46724 PREMOT IA

Sahid Jaya Boulevard Hotel *****
86 Jalan Jenderal Sudirman
Singles \$68, doubles \$78, suites from \$90
Tel: 587031; telex: 46331 SAHID JKT

In addition to the restaurants in the international standard hotels, there are good class restaurants serving European, Chinese and Indonesian food. Major Canadian credit cards such as Visa and MasterCard are generally accepted in tourist areas.

Most restaurants add a combined service charge and tax of 21 per cent. Elsewhere a 15 per cent tip is advised. For porters, Rp 100 per bag is adequate.

In Jakarta, taxis can be obtained at hotels, airports and railway stations. It is advisable to use a taxi fitted with a meter or to agree in advance on the charge. One may find it necessary to engage the assistance of the hotel doorman in order to communicate the address and price to the taxi driver. If a vehicle is required for longer journeys, taxis may be hired by the hour. As it is often difficult to hail a taxi in Jakarta during certain hours of the day, it is recommended that taxis be engaged at the hotel and retained until one's return to the hotel.

Travel within Java can be by air, rail or road. Visits outside Java must be made by air. Garuda Airlines operates the most comprehensive service locally. Expe-

rienced Canadian businessmen have found that local flights are often overbooked and that preference for boarding is at times given to those holders of locally reserved tickets. For both domestic and international flights, one is required to report to the airport at least two hours before flight time.

The following airlines serve Jakarta:

Cathay Pacific — 327807
China Airlines — 364449
Garuda — 359408/350464/359901
Japan Airlines — 322207/324407
KLM — 320708/322008, ext. 740
Lufthansa — 323400/320632/321104
Malaysian Airline System — 359581/4/349434
Merpati — 413608/412640
Northwest Orient — 324659/320558
PIA — 357524, ext. 298, 299
Pan American — 361707/323875
Qantas — 326707
Sabena — 370108, ext. 2339
SAS — 320607
Singapore Airlines — 584021/583614/584041
Swissair — 373608/370108
Thai International Airways — 320607
TWA — 354030, ext. 362, 368
UTA — 323609/323507

An airport tax of Rp 3,000 is levied on passengers embarking for international destinations. A tax of Rp 1,000 is levied for domestic travel.

List of Key Indonesian Government Agencies and Departments

Sekretariat Negara— Secretary of State

Jalan Veteran 17
Jakarta Pusat
Tel: 348819/352685

Responsible for the supervision of five secretariats:

- Cabinet Secretariat (responsible for the co-ordination of foreign technical assistance)
- Military Secretariat
- Presidential Palace Household
- Secretariat for Guidance of Development Activities
- Inspectorate General of Development. Also responsible for governmental committee for administrative reform and of Kəpres 10 Committee.

Departemen Luar Negari— Department of External Affairs

Jalan Taman Pejambon 6
Jakarta Pusat
Tel: 346014/342002/367357

Responsible for foreign, economic and socio-cultural affairs, security of foreign relations, politics, protocol, and consular and National ASEAN Secretariat.

Departemen Dalam Negeri Department of Home Affairs

Jalan Merdeka Utara 7
Jakarta Pusat
Tel: 34222/360099

Responsible for the development of local governments, social politics, rural development, agrarian affairs and internal security.

Departemen Pertahanan Keamanan — Department of Defence and Security

Jalan Merdeka Barat 13
Jakarta
Tel: 366184/360290

Responsible for the army, air force, navy, police and security.

Departemen Kehakiman — Department of Justice

Jalan Hayam Wuruk 7
Jakarta
Tel: 342083

Responsible for bills and laws, development of general justice, prisons, immigration and national law.

**Departemen Penerangan —
Department of Information**
Jalan Merdeka Barat 9
Jakarta
Tel: 344227

Responsible for public information, radio, TV and film, and development of press and printing industry.

**Departemen Keuangan—
Department of Finance**
Jalan Lap. Banteng Timur 4
Jakarta
Tel: 348938

Responsible for budgeting, foreign and domestic monetary affairs, customs and excise, taxes and state financing.

**Departemen Perdagangan
Dan Koperasi —
Department of Trade and
Co-operatives**
Jalan Abdul Muis 87
Jakarta
Tel: 362207

Responsible for domestic and foreign trade, co-operatives, agency for development of national exports, centre for research and development of trade and promotion of trade to Middle East.

**Departemen Pertanian—
Department of Agriculture**
Jalan Iman Bonjol 29
Jakarta
Tel: 349078

Responsible for food production, cash crops, fisheries, forestry, animal husbandry, and agency for training, education, and extension of agriculture.

**Departemen Perindustrian
Department of Industry**
Jalan Kebon Sirih 36
Jakarta
Tel: 322756

Responsible for basic chemical industry, basic metal industries, miscellaneous industries, small industries, agency for industrial R and D.

**Departemen Pertambangan
Dan Energi —
Department of Mines and
Energy**
Jalan Merdeka Selatan 18
Jakarta
Tel: 30541

Responsible for general mining, power, oil and natural gas.

**Departemen Pekerjaan
Umum —
Department of Public
Works**
Jalan Pattimura 20,
Kebayoran Baru
Jakarta
Tel: 716908

Responsible for water resources, road construction and construction of buildings.

**Departemen
Perhubungan —
Department of
Communications**

Responsible for land, sea and air communications, post and telecommunication, meteorological and geophysical centre, and national research and rescue centre.

**Departemen Kesehatan —
Department of Health**
Jalan Prapatan 10
Jakarta
Tel: 364597

Responsible for health resources, community health program, control of food and drugs, development of R and D for health, and infectious diseases.

**Departemen Tenaga Kerja
Dan Transmigrasi
Department of Manpower
and Immigration**
Jalan Kh Agus Salim 58
Jakarta
Tel: 375709

Responsible for guidance and use of manpower, protection and care of manpower, and transmigration.

USEFUL ADDRESSES

**BKPM (Investment
Co-ordination Board)**

Jalan Gatot Subroto Kav 6
Jakarta
Tel: 512008

**Bappenas (National
Planning Board)**

Taman Suropati 2
Jakarta
Tel: 352961

**BPPT (Agency for Research
and Technology)**

Menara Patra Building
Jalan Mh Thamrin 8
Jakarta
Tel: 353776

**Bulog (National Logistics
Agency)**

Jalan Gatot Subroto Kav 49
Jakarta
Tel: 512209

**Batan (National Energy
Agency)**

Jalan Kh Abdul Rokhim
Mampang Prapatan
Jakarta
Tel: 511109

**Lapan (Indonesian National
Institute of Aeronautics
and Space)**

Jalan Permuda Persil 1
Jakarta
Tel: 484815

**Lipi (Indonesia Science
Institute)**

Jalan Teuku Cik Citiro 43
Jakarta
Tel: 348984

Embassy of Canada

Wisma Metropolitan,
5th floor
Jalan Jendral Sudirman
Kau 29
Jakarta
Tel: 584032 to 584039
telex: (73) 44345

Garuda Indonesian Airways

Jalan Ir H Juanda 15
Jakarta
Tel: 370709

Bank Indonesia

Jalan M H Thamrin 2
Jakarta
Tel: 372408

**The Indonesian Chamber
of Commerce and
Industry**

Jalan Merdeka Timur II
Jakarta Pusat
Tel: 367096

Embassy of Indonesia

287 McLaren Street
Ottawa, Ontario
K2P 0L9
Tel: (613) 236-7403

**Indonesian Consulate
General**

470 Granville Street,
Suite 426
Vancouver,
British Columbia
V6C 1V5
Tel: 669-0574

South East Asian Division

Office of Trade

Development — Asia
and Pacific

Department of External
Affairs

235 Queen Street

Ottawa, Ontario

K1A 0H5

Tel: (613) 996-8661;

Telex: 053-4124

REGIONAL OFFICES

If you have not previously marketed abroad, contact any regional officer of the Department of Industry, Trade and Commerce and Regional Economic Expansion (ITC - DREE) at the addresses listed below:

Newfoundland and Labrador

P.O. Box 8950
90 O'Leary Avenue
St. John's, Newfoundland
A1B 3R9
Tel: (709) 737-5511
Telex: 016-4749

Nova Scotia

Duke Tower, Suite 1124
5251 Duke Street
Scotia Square
Halifax, Nova Scotia
B3J 1P3
Tel: (902) 426-7540
Telex: 019-21829

New Brunswick

590 Brunswick Street
Fredericton, New
Brunswick
E3B 5A6
Tel: (506) 452-3190
Telex: 014-46140

Prince Edward Island

P.O. Box 2289
Dominion Building
97 Queen Street
Charlottetown, Prince
Edward Island
C1A 8C1
Tel: (902) 892-1211
Telex: 014-44129

Québec

Case postale 247
800, Place Victoria,
37^e étage
Montréal (Québec)
H4Z 1E8
Tél: (514) 283-6254
Télex: 012-0280

220, avenue Grande-Allée
est
Pièce 820
Québec (Québec)
G1R 2J1
Tél.: (418) 694-4726
Telex: 051-3312

Ontario

P.O. Box 98
One First Canadian Place
Suite 4840
Toronto, Ontario
M5X 1B1
Tel: (416) 365-3737
Telex: 065-24378

Manitoba

185 Carlton Street
4th Floor
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 949-2381
Telex: 075-7624

Saskatchewan

1955 Smith Street
Room 400
Regina, Saskatchewan
S4P 2N8
Tel: (306) 359-5020
Telex: 071-2745

**Alberta and
Northwest Territories**

Cornerpoint Building
Suite 505
10179-105th Street
Edmonton, Alberta
T5J 3S3
Tel: (403) 420-2944
Telex: 037-2762

**British Columbia and
Yukon**

P.O. Box 49178
Bentall Centre, Tower III
Suite 2743
595 Burrard Street
Vancouver, British Columbia
V7X 1K8
Tel: (604) 666-1434
Telex: 04-51191

APPENDIX A

Sources of Additional Information

South East Asia — General

All-Asia Guide

Far Eastern Economic Review, 11th Edition; 1980

International Trade Reporter: Export Shipping Manual
Washington, D.C.; The Bureau of National Affairs, Inc.

Tips for Your First Export Trip

K.F. Watson, V. Watson

Ottawa; Evaluation and Strategic Management Associates Ltd.; 1981

"Who Pays the Piper: A Survey of Foreign Investment in Asia"

The Economist; 371:7086 (June 23, 1979) Survey 1-30

Working Abroad

Godfrey Golzen and Margaret Stewart

London; The Britannia Group; 1977

World Sourcing Sites in Asia

Hong Kong; Business International Asia/Pacific Ltd.;
c1979

Far Eastern Economic Review

Hong Kong; published weekly

Indonesia

Doing Business in Indonesia

Price Waterhouse; August 1981

Doing Business in Indonesia

Jakarta, Indonesia; P.T. SGV-Utomo; 1978

Economic Report — Indonesia

London; Lloyds Bank, 1978

Indonesia

Amsterdam; Abercor Bank Group; 1980

(Abecor Country Report)

Indonesia

London; British Overseas Trade Board; 1977-78

Indonesia: Business Opportunities in a Resource-Rich Economy
Hong Kong; Business International Asia/Pacific Ltd.; 1975

"Indonesia — Complex Giant of South East Asia"
Canada Commerce; (March 1981) p. 1-4

Indonesia Development News
Jakarta; National Development Information Office

Indonesia: Economic Update 1980
Jakarta; National Development Information Office

Indonesia Fact File
Jakarta; National Development Information Office; June 1978

Indonesia News and Views
Washington; Information Division, Embassy of Indonesia (bi-weekly)

Indonesia — A Survey of U.S. Business Opportunities
Washington, D.C.; U.S. Department of Commerce; 1977

Indonesian Commercial Newsletter
Jakarta; P.T. Data Consult Inc.; (bi-monthly)

Marketing in Indonesia
Washington, D.C.; U.S. Department of Commerce, 1981
(Overseas Business Reports; OBR 81-11)

Quarterly Economic Review of Indonesia — Annual Supplement
London; The Economist Intelligence Unit Ltd.; 1980

Spotlight Indonesia
London; Midland Bank International; no. 188; 1980

Standard Trade Directory of Indonesia, 1980/81
Jakarta; Indonesian Chamber of Commerce and Industry

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External Affairs
Canada

Affaires extérieures
Canada

Canada